

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)

)
Petition for Declaratory Ruling That)
Carriers May Assess Interstate)
Customers an Interstate Universal)
Service Charge Which is Based on)
Total Revenues)

CC Docket No. 96-45

COMMENTS OF GTE

Dated: April 24, 1998

GTE Service Corporation and its affiliated
domestic telecommunications, wireless, and
long distance companies

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COMMENTS OF GTE

GTE Service Corporation, and its affiliated domestic telecommunications companies,¹ wireless,² and long distance³ companies (collectively, "GTE"), respectfully submit these Comments in response to MCI's Petition for Declaratory Ruling. MCI seeks clarification that "carriers are not precluded by the Universal Service Order from imposing a charge on interstate customers that is based on the customers' total billed revenues, including intrastate revenues, to recover federal universal service costs." GTE supports the use of both interstate and intrastate retail revenues to develop the contribution fund base for both the interstate and intrastate plans. GTE also supports

¹ GTE Alaska Incorporated, GTE Arkansas Incorporated, GTE California Incorporated, GTE Florida Incorporated, GTE Hawaiian Telephone Company Incorporated, The Micronesian Telecommunications Corporation, GTE Midwest Incorporated, GTE North Incorporated, GTE Northwest Incorporated, GTE South Incorporated, GTE Southwest Incorporated, Contel of Minnesota, Inc., and Contel of the South, Inc.

² GTE Wireless Incorporated.

³ GTE Communications Corporation, Long Distance division.

federal and state contribution recovery mechanisms that distribute contribution costs on the same basis as the contribution mechanism.

In its Comments on the Commission's Report to Congress, GTE recommended that the Commission reevaluate both the contribution fund base and the recovery mechanisms it established in its May 1997 Report and Order and subsequent December 1997 Fourth Order on Reconsideration in CC Docket 96-45. The Commission has initiated a Notice seeking additional comments to consider alternative funding proposals.⁴

I. FUNDING BASE

As the Commission reevaluates the respective federal and state responsibilities to maintain and advance universal service goals, it should consider a change in the funding base. Both federal and state plans should use combined state and interstate retail revenues as the basis for the contribution base consistent with the Joint Board's November 1996, recommendation to the Commission.

This modification is appropriate for several reasons. First, interstate rates supply a disproportionate share of the implicit support in the universal service system today. Yet, similar to the problem faced by high-need, low revenue states, the interstate jurisdiction does not have a funding base sufficient to generate an explicit source of funds needed to eliminate the implicit support that exists. A broad contribution base will reduce the percentage rate of contribution needed to fund universal services. Second, it will become increasingly difficult to distinguish between state and interstate revenue

⁴ Public Notice, CC Docket Nos. 96-45 and 97-160, DA 98-715, released Apr. 15, 1998.

as new, hybrid services are introduced in the market. New entrants will face similar difficulties in differentiating between interstate and intrastate revenues because they often offer calling packages that do not differentiate between interstate and intrastate calling. Finally, use of both interstate and intrastate revenues will ensure that all carriers contribute to universal service on an equitable basis, inasmuch as new entrants will not be subject to the same, rigorous reporting requirements incumbent local exchange carriers (ILECs) experience today. If the same base of total revenues were used for the federal and state plans, the need to distinguish revenue by jurisdiction would be eliminated.⁵

II. RECOVERY MECHANISMS

The Commission adopted rules in May 1997 that specified that ILECs may only recover their contributions through their interstate common line and special access rates. Other contributors were given flexibility to recover their universal service contributions from end users. Some carriers were given further flexibility to recover their contributions on the basis of interstate and intrastate revenues.⁶ GTE encourages the Commission to reevaluate its current rules establishing different mechanisms for different classes of carriers. A clear and competitively neutral mechanism should be established which allows each carrier to recover its contribution to the fund from its customers. GTE also supports a recovery mechanism consistent with the contribution

⁵ States would have to identify originating or terminating traffic within their borders.

⁶ Fourth Order on Reconsideration, FCC 97-420, 1997 FCC LEXIS 7229 (rel. December 30, 1997), ¶ 309. The Commission permitted CMRS providers to recover their contributions through rates charged for all their services.

basis, *i.e.*, if a carrier contributes on the basis of interstate and intrastate retail revenues, then it should be able to recover its contribution based on that same source. GTE believes that an across-the-board end user surcharge is the simplest, most equitable and most competitively neutral mechanism for recovery.⁷

III. CONCLUSION

As the Commission and states proceed to reexamine issues regarding the respective federal and state responsibilities to maintain and advance universal service in DA 98-715, GTE suggests that a contribution mechanism based on both interstate and intrastate revenues and a competitively neutral means of recovering those contributions be established. The use of consistent guidelines by the Commission and the states will ensure that all universal service contributors are treated equitably and that the means of recovery will not become a competitive discriminator.


⁷ Any rates that produce revenue counted in the funding base should also be subject to the recovery mechanism.

Dated: April 24, 1998

Respectfully submitted,

GTE Service Corporation and its affiliated
domestic telecommunications, wireless, and
long distance companies


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Certificate of Service

I, Judy R. Quinlan, hereby certify that copies of the foregoing "Comments of GTE" have been mailed by first class United States mail, postage prepaid, on April 24, 1998 to all parties of record.



Judy R. Quinlan